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Guatemala

Coffee

Annual

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Approved by:
Suzanne Heinen
U.S. Embassy, Guatemala
Prepared by:
Douglas Ovalle

Report Highlights: Guatemalan coffee production for 99-00 is estimated at 4.36 million bags. For 00-01 production is forecast to increase further to 4.4 million bags. Exports for 99-00 are estimated at 4.2 million bags. Exports for the 00-01 crop are forecast to increase further to 4.3 million bags. Total supply increased significantly in 2000 due to the estimated 275,000 bags that came from Honduras in response to discounts in their local prices.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Guatemalan coffee production for 99-00 is estimated at 4.36 million bags, up from the 98-99 revised data of 4.3 million bags. For 00-01 production is forecast to increase further to 4.4 million bags. Exports for 99-00 are estimated at 4.2 million bags, up from the revised data of 4.1 million bags that were exported from the 98-99 crop. Exports for the 00-01 crop are forecast to increase further to 4.3 million bags.

In last year's report production and exports were projected to decrease due to hurricane Mitch and unfavorable weather conditions. The revised data show that production has been increasing as have exports. Early predicted losses from the hurricane did not materialize; on the contrary coffee producers experienced the outstanding yields that can come during the high production cycle. Effects from hurricane Mitch were also expected to affect the 2000 crop but again those fears were unfunded since production increased slightly due to new trees bearing fruits.

Total supply has increased significantly due to smuggled coffee from Honduras in response to discounts in their prices. Local production numbers do not differentiate between local production and illegal imports since local producers usually claim such coffee as their own for commercial purposes. Current PS&D registers smuggled coffee from Honduras as imports showing a difference between this report's production numbers and local numbers provided by the Guatemalan Coffee Association (ANACAFE).

The trend of certifying farms for organic coffee production continues. This trend is due to the fact that organically grown coffee can demand a premium of up to $20 per bag, which for a farmer is very attractive in the current situation of low prices. Results in organic farming will be seen in about 5 to 10 years due to land certification and organic trees bearing fruits.

Guatemalan coffee consumption remained steady at 400,000 bags in 2000. For 2001 consumption is expected to increase to 425,000 bags due to an increase in demand for specialty coffees and an increase of coffee shops around the country.

PSD Table						
Country	Guatemala					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	260	260	265	265	0	272
Area Harvested	210	210	260	260	0	265
Bearing Trees	747000	747000	748000	748000	0	749000
Non-Bearing Trees	85000	85000	89000	89000	0	90000
TOTAL Tree Population	832000	832000	837000	837000	0	839000
Beginning Stocks	100	100	50	45	0	50
Arabica Production	3378	4273	3318	4337	0	4467
Robusta Production	27	27	27	27	0	27
Other Production	0	0	0	0	0	0
TOTAL Production	3405	4300	3345	4364	0	4494
Bean Imports	145	145	145	275	0	275
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	145	145	145	275	0	275
TOTAL SUPPLY	3650	4545	3540	4684	0	4819
Bean Exports	3200	4100	3100	4234	0	4344
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	3200	4100	3100	4234	0	4344
Rst,Ground Dom. Consum	375	375	375	375	0	400
Soluble Dom. Consum.	25	25	25	25	0	25
TOTAL Dom. Consumption	400	400	400	400	0	425
Ending Stocks	50	45	40	50	0	50
TOTAL DISTRIBUTION	3650	4545	3540	4684	0	4819

Production

Production for the 1999-00 crop is estimated at 4.36 million bags, up from the 1998-99 crop of 4.3 million bags. This change is due to new bearing trees, in spite of the fact that the 99-00 crop had lower yields due to the normal coffee cycle. For the year 2000 production is forecast at 4.4 million bags. This increase is due to an increase in production from small coffee farmers as a result of the technical assisstance that they have been implementing, and the fact that in the coffee cycle the year 2001 should bring very good yields assuming favorable weather conditions.

In last year's report production and exports were projected to decrease due to hurricane Mitch and other unfavorable weather conditions. However, early predictions of losses from the hurricane did not materialize; on the contrary coffee producers experienced the outstanding yields that can come during the high production cycle. Revised data for the 1999 and 2000 crops show significant increases in comparison to previous data. Lingering effects from hurricane Mitch were also expected to affect the 2000 crop but again those fears were unfounded, and production increased slightly due to new trees bearing fruits.

Total supply has also increased due to smuggled coffee from Honduras in response to discounts in their prices. Local production numbers do not differentiate between local production and illegal imports since local producers usually claim such coffee as their own for commercal purposes. Current PS&D registers smuggled coffee from Honduras as imports showing a difference between this report and local production numbers.

Coffee produced in Guatemala can be classified as prime washed, extra prime washed, hard bean, and strictly hard bean. Strictly hard bean is produced in higher and mountain areas, while prime and extra prime are being produced in the lower altitude coastal areas. Hard bean coffee is produced in the lower altitude mountain areas and in the higher altitude coastal areas. In the past few years there has been somewhat of a geographical shift in coffee production, with more areas of strictly hard bean being produced and less areas of prime and extra prime being produced. This is due to the fact that strictly hard bean has a higher value in comparison to prime and extra prime. Among regions producing strictly hard bean in Guatemala are Antigua, Atitlán, Huehuetenango, Cobán and Fraijanes. Some coffee farmers located in the south part of the country are shifting to more profitable crops such as bananas, rubber and palm, in response to the substantial decrease in world prices, discouraging investment in coffee production. The liquidity problem that the Guatemalan bank system experienced in late 1998 early 1999 also affected coffee farmers hoping to borrow money from local banks for the 1999-00 crop.

The interest in farming organic coffee is increasing in Guatemala due to an increase in demand for organic coffee in the international markets and the bonus given above the regular price for organically farmed coffee. For 2000, Guatemala's registered organic coffee production still accounts for 5 percent of total production, the same level as the 1999 organic coffee production because of the time lapse needed to be registered and the time lapse needed for new organic plants to start bearing fruits. Results are expected to be seen in about 5 to 10 years.

Coffee still is the number one agricultural export in the country. Coffee accounts for 21 percent of total exports. The coffee industry employs around 40 percent of the agricultural farm labor and contributes around 6 percent to Guatemala's Gross National Product.

Consumption

Guatemalan coffee consumption remained steady at 400,000 bags in 2000. For 2001 consumption is expected to increase to 425,000 bags due to an increase in demand for specialty coffees and an increase of coffee shops around the country.

Export Trade Matrix			

Country	Guatemala		
Commodity	Coffee, Green		
Time period	Jan-Dec	Units:	60 kg bags
Exports for:	1999		2000
U.S.	1,722,000	U.S.	1,779,000
Others		Others	
Germany	533,000	Germany	550,000
Japan	287,000	Japan	296,000
Belgium	246,000	Belgium	254,000
Netherlands	205,000	Netherlands	212,000
Italy	164,000	Italy	170,000
Canada	164,000	Canada	169,000
Sweden	164,000	Sweden	169,000
France	123,000	France	127,000
Finland	82,000	Finland	85,000
Total for Others	1968000		2032000
Others not Listed	470,000		500,000
Grand Total	4160000		4311000

Import Trade Matrix			
Country	Guatemala		

Commodity	Coffee, Green		
Time period	Jan-Dec	Units:	60 kg bags
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Honduras	200,000	Honduras	317,500
Total for Others	200000		317500
Others not Listed			
Grand Total	200000		317500

Trade

Exports for the 1999-00 crop are estimated at 4.2 million bags up from the 1998-99 exports of 4.1 million bags. According to the Guatemalan Exporter Association (ADEC), exports for the 00-01 crop will increase further to 4.3 million bags. This increase in exports is due to an increase in coffee coming from Honduras due to discounts in their local prices. Calendar year exports for 1999 are estimated at 4,160,000 bags and claendar year exports for 2000 are forecast at 4,311,000 bags.

There are continuing reports of contraband coming from the Honduran border. Contraband is estimated at 200,000 bags for 1999 and 317,500 bags for 2000. The increase in contraband is due to an increase in production in Honduras and disincentives in their local prices.

The United States still is Guatemala's most important customer, accounting for 42 percent of total Guatemalan coffee exports in 1999. Germany, Japan, Belgium, Netherlands and Sweden rounded out the top five export destinations in 1999.

Most exports for the 1999-00 were made during the months of December-May, February being the month with the most exports due to prices above average. The average price of contracts for 99-00 was around $105, down from the average price of contracts in December and January of 98-99 of $115. The current speculation is that in 2000-01 prices for December and January will fall even further to averages around $95.

Policy

As has been reported in the past, the Government of Guatemala does not believe in restricting the amount or period in which coffee is exported.

The coffee bond was a loan paid to producers in 1993 to assist farmers through a cycle of low world coffee prices. The coffee bonds were issued by ANACAFE and guaranteed by the Government of Guatemala. The coffee bond was expected to be repaid by the year 2003. According to ANACAFE with the interest earned from a trusteeship deposited in banks and the cumulative payments from exports made during the peak prices in 1997 (especially in May 97 when prices hit $314) the quotas were paid off and the bond was repaid in its totality in August 1998. In addition, exporters pay a one percent check-off charge to ANACAFE to support the association plus $0.05 in municipal taxes.

Recently, an international cooperation program has been assissting the small coffee farmer to increase their productivity and increase their income, results are starting to be seen and it is expected that in its totality results will be seen in the next couple of years.